

Marketing managementdr bandara

[Business](#), [Marketing](#)



It is important that value addition is coupled with other strong consumer requirements and expectations. Production methods are needed for doing new product developments instead of bulk tea. When considering about the factors there should be a good alternative to capture this potential market to Sri Lanka while doing product diversification with analysis of the market to gain real benefit of the sector. There is a potential of implementing tea shop concept in Sri Lanka in order to add value to tea industry, because tea is linked with intriguing history and specific sub culture which is revalued from colonization era.

Tea is closely related with world trade and travel because tea as a commodity and tradition which can be transformed from the traditions of one culture to the heritage of another. When tea is offered as a sign of hospitality in both domestic and commercial contexts, the meaning and significance behind it is complex. And also tea, as both a consumable product and experience, changed and adapted through both travel and tourism.

While this has been a gradual process that has taken centuries, even today contemporary tea traditions experienced will introduce English style tea houses to attract the tourists, these trends demonstrate the transference of tea cultures and traditions across borders and continent. This assignment is based on market analysis for the tea shop concept to the Sri Lanka. 3 SRI LANKAN TEA INDUSTRY Sri Lanka, a tropical island in the Indian Ocean was known as Serenade, Taproot's and Ceylon. The word " Serenade" gave the English language the word " serendipity" - " A welcome surprise".

The term "Ceylon Tea" is synonymous with Sri Lanka. Ceylon Tea is renowned for its high quality, aroma, and taste. As the fourth largest tea producer and perhaps the second largest exporter in the world, we are in the forefront of tea exports to the world market. This is a position that we have maintained over the years. Our tea industry dates from 1865 during the British colonial period. Ceylon, as the island was then known, produced coffee for export. By the end of the 1860s, the coffee leaf disease decimated the plantations. This was an economic disaster for the planters, who, then turned to tea.

In 1866, a pioneer began the first commercial tea plantation in Ceylon. This man, James Taylor, planted the new crop in 1866 and founded a profitable industry. Other planters followed suit and by 1877, the first recorded shipment of tea was dispatched to England. The famous brand, Lipton's, had its origin in Sri Lanka. Within a decade, a new prosperous tea industry was built on the ruins of the coffee industry. Ceylon tea enjoys a high reputation. One earned from producing fine blends and flavors benefiting from a unique environment of perfect climatic conditions that allowed year-round harvest.

The combination of weather, rain, mist and dry spells combined with hand picking has produced a range of unique flavors. Much like the variations in wine produced in different regions. The elevation of the plantations has a significant impact on the flavor. Each elevation produces teas of unique character with a wide range of flavors and color. By blending teas from different areas of the island and varied elevations, Sri Lanka can offer a

very wide range of flavor and color. Some are full-bodied, while others light and delicate.

Major tea blends around the world all use some Sir Lankan teas for blending.

4 The three major geographical zones in the tea growing areas are:

High/Upcountry: Above 4, 000 Ft. ; Unwarily - Delicately fragrant ; VA -

Exotically aromatic ; Tambala - Refreshingly mellow Mid-country: Between 2,

000 - 4, 000 Ft. ; Candy - Intensely full-bodied Low-country: Below 2, 000 Ft. ;

Subprogram's - Smooth & full-bodied ; Around - Distinctively unique The tea

industry continues to be economically important to Sir Lankan, although in dollar terms other industries have surpassed it.

It used to be the main export earner. It is now one of the main exports and important source of foreign exchange and employment. The tea sector provides direct and indirect employment to more than one million persons, constituting 10% of the country" s population. The workforce is dominated by women. Export earnings from tea account for about 15% of the total export earnings, and reached SIS\$ 1, 412 million in 2012. The tea industry contributes approximately 2% of Sir Lankan GAP, generating 65% of agricultural export revenue. The total export volume reached 320 million kilograms in 2012.

The average price of tea exported during the year 2012 stood at SIS\$ 4. 41 a kilogram, compared with SIS\$ 4. 62 a kilogram recorded in 2011. The most important foreign markets for Ceylon tea are the United Arab Emirates, Russia, Syria, Turkey, Iran, Saudi Arabia, Iraq, United Kingdom, Egypt, Azerbaijan, Kuwait, Ukraine, Libya and Japan. In Russia, " Ceylon Chaw" s

highly valued. The comparative advantage of Ceylon tea lies in many factors. Sir Lankan is the largest producer and the exporter of orthodox tea with the ability to produce tea throughout the year.

Diversity in 5 specific aromas and flavors is another area in which we excel. The highest quality standards are maintained and ISO 3720 is the minimum standard. We have the capability to produce the cleanest tea in the world in terms of minimum pesticides and residues. Methyl Bromide was removed from the production process in 2012. The Colombo tea auction is the single largest tea auction in the world. Auctions are held every Tuesday and Wednesday, every week except during the national New Year and at Christmas. Around 6. Million kilograms are sold weekly. We export more than 50% of tea in value added form. The Value added product range of Sir Lankan tea includes green tea, flavored tea, organic tea, instant tea, iced tea, and ready-to-drink tea. Tea based soap, bath gel, shampoo and cosmetic products have recently been added to this product range. Sir Lankan boasts the biggest tea research institute in the world. Colombo also has the biggest concentration of tea bagging plants in the world. With this said, however, the Sir Lankan tea industry faces some challenges.

The rising cost of production, particularly labor costs, declining productivity, adverse weather conditions, possibly caused by climate change, are just some of our problems. Political instability in major overseas tea markets, especially in the Middle East, has had an adverse impact. Reduced tea consumption in the European region due to the Euro-zone crisis is another worrying factor beyond our control. The tightening of sanctions on Iran too

has had a long-term impact. Iran is a major market for certain Where there are problems, there will always be solutions.

We need to meet these challenges so that Ceylon Tea would continue to flourish in a fiercely competitive global market place. We must reduce the cost of production, adopt better agricultural practices, introduce fast growing cultivations with a longer life span, rehabilitate the soil, tap new and emerging markets, increase the export of value-added tea, using local tea blending expertise, and improve the quality of tea. Moreover, increasing government incentives for replanting, improving labor productivity and promoting the use of Ceylon Tea for health and beauty purposes are also important.

Lankan tea industry will help to develop a long term strategy to expand its global market. Once the forces affecting competition have been identified, the industry will be in a position to identify its strengths and weaknesses to overcome the threats. This will give a clear understanding about how Sir Lankan is holding the above market share and it will assist us on how to improve the product in terms of marketing, product quality etc in order to expand its market share to become the world's number one tea supplier.

Strengths - Sir Lankan tea is renowned for quality in the international arena which creates a sustainable demand despite global issues. Strengths can be identified in the Sir Lankan current tea industry as strong image in the global market and its market is diversified all over the world and therefore can sustain with the demand fluctuations. - As the leading exporter of black tea to the world Sir Lankan is dominating the global tea market. Its major

consumers are Russian Republic, CIS countries such as Jordan, Egypt, and AJAX. - Sir Lankan is having a diversified product line in tea industry and produces both orthodox and CT tea.

Different forms of value added teas such as caffeinated tea, instant tea, and flavored tea are few examples. Also many private sector tea producers export organic tea targeting the health food category. - Sir Lankan has two different geographical areas where tea is growing. The up country tea and low country tea. Therefore different tea varieties go to the global market. 7 facilities to the production. - Land use for the tea industry is stagnated within the same area or rather shrinking. - The availability of quality workers is on the decline.

This labor intensive industry which brings a high wage cost and badly associated with a strong labor union. Availability of labor in future becomes low as the difficulty of passing Jobs to next generation due to change of lifestyle. - Less technological advancement is introduced to the factory and production sector and rate of product innovation is low. - The country has been slow in exploiting the potential of the tea-bag market by falling behind in CT production. In the instant tea market, despite its earlier lead, Sir Lankan has fallen behind Kenya and India. Country productivity is very low compared to other international producers. - The export distribution network for tea is weak. Most of the tea is still channeled through commodity auctions. - The sector is financially weak and producing unit costs are high, relative to key competitors. - The coordination of production and marketing is weak and international marketing skills are below what is required for a

market leader. - Plantation companies highly vulnerable to wage revisions. - Tea plantation industry area is not expanding related to other industries in Sir Lankan. Opportunities - World demand for black tea is expected to grow at a rate of 3. 2% per year. A substantial part of this demand is likely to come from developing countries, articulatory in the Middle East, and from SIS countries which have a preference for orthodox tea. The SIS countries are also likely to continue to be strong buyers of high quality tea as there are indications that the market there has started to recover from its earlier economic problems. -The demand of tea in the west is likely to become very selective for specialty tea such as instant tea, organically grown tea, and flavored tea.

Sir Lankan has strong potentials for exploiting these premium price segments. - Health concerns of consuming other beverages such as soft drinks create extra demand for tea. The future consumption potential in other key markets is growing - The price trend in major markets like the SIS and the AAU are growing strong. - The world market for beverages is booming segmented due to changing lifestyle and consumer preferences, as well as intensive market promotion by beverage manufacturers. - Sir Lankan produces a wide array of tea, from high quality light tea to strong dark tea.

It can exploit this ability to expand the product line and diversify into related products. -There is a good potential for Sir Lankan to achieve forward integration of its market by establishing direct linkages with overseas buyers and nonusers. - Private tea companies in the country are already exporting branded tea and packaging is developing. Marketing system extends good

opportunities to the private sector to install new production processes that enable cost efficiency and foster increased price competition. - The favorable exchange rate holds good potential for future price competitiveness. The depreciation of Sri Lankan rupee would be favorable for the tea exports since the international tea prices would be cheaper in dollar terms. However tea usually experiences an inelastic demand where a decline in price will not create a significant improvement in the demand over the short term. - Countries which are competing with Sri Lanka have higher productivity and growth rate. As an example Kenya has overtaken Sri Lanka as the world's largest exporter of tea.

Also Sri Lanka continuously faces intense competition from global players such as India and China. - The pace of technology development and product innovation is low all around the world compared to other industries. - Government's control over the labor market still threatens to destabilize the industry. - Sri Lanka's lack of CTC tea production capacity is likely to make it lose some extremely profitability markets like Pakistan, which is claimed to become the leading importer of black tea by the year 2005. Changing demography and buyers' needs and taste are likely to replace the demand for traditional bulk tea with differentiated tea in the world market. - Stagnant infrastructure development may decrease the industry's ability to compete internationally. - Unfavorable climate conditions are a continuous threat since it is beyond the control of industry. - The continuous increase in the fuel prices also creates an upward pressure on the cost structure. Consequent to the recent hike in fuel prices, the cost of production has escalated by Rs. 5 per Keg of made tea.

important to identify the segment that you are going to market your brand. So, when it comes to Tea also, it is really important to identify the segment. First you need to find the market segment and then you have to proceed with market for targeted segment. As we know Sir Lankan tea is very famous among the world and taking the 3rd place and 21% market share. So the emphasis is centered on the idea that it has a good reputation among the world in taste and quality.

Though the situation is such, heritage and culture is not penetrated to tea market in Sir Lankan. So we need to market the tea product with our culture and heritage, since Tea" is more popular than " Sir Lankan Tea". Our tea has earned trust of customers around the world and we need to stick to that market strategy while segmenting the market for marketing strategies. So we have to analyze the market segment and look for the segments to market the tea product. After that we should come up with the business strategy.

Age Gender group Usage rate Life Style and substitutes preference Male and Medium of Pride of local culture heritage Playful and relaxed High Low Female 18-45 social activities. Well aware Medium of new products and brands 11 45-55 Male and High Busy life and not much Medium aware of products/brands Above Life leisure and peace of Medium 55 mind Once you segment as above, you need to identify which segment/segments are most suitable for your business strategy.

Now you have to design the marketing mix As per this segmentation we suggest we should market tea product for age group 18-45 and 4555. Why

we select these age categories as there is a huge advantage of making them influence to use tea rather than other substitutes by promoting our ultra and also about different varieties of tea flavored can taste at present as opposed to the conventional plain tea. Also there is a chance of persuading them to secular products, which is already adopted by the adult age group(over 55).

For the age group below 18, this effort is not very fruitful since customers of this age prefer to drink fresh milk products and Juiciest mornings, evenings and even day time. So we do not much focus on such age group to promote the brand. Now we should consider about 4 P" s here. Place Price 12 Since tea is directly consumed product, sensory branding also important here . Elf you elk about sensory branding, smell and taste are prominent in tea. To promote this sensory branding, it will be useful to have a nice place for selling tea, a set-up such as McDonald" s, Pizza Hut or Barista. Once the location is promoted, then marketer should focus on the sensory branding. As the price is a sensitive thing for customer and seller, you need to set a reasonable price for a cup of tea in your tea shop. Name such as " Ceylon Tea shop" will showcase the culture and heritage of Sir Lankan tea product and consumer will prefer to gather if it is combined with a reasonable price which is easy on their pockets. The location should be very much peaceful and it should give peace enough for young couples to enjoy the time with their partners having tea.

Also place should be promoted for the after office workers and morning time Tea Quarter" . Morning time tea quarter" can be promoted by some offers to the consumers with a unique concept. This should target the crowd who do

not have the comfort of traveling to work daily from home, therefore are forced to stay at boarding places or hostels. The age can vary from university students to adult age groups. Such a way you can locate the brand. Concept serving